

**STATE OF FLORIDA  
AUDITOR GENERAL**



*OPERATIONAL AUDIT  
OF THE*

*FLORIDA DEPARTMENT OF EDUCATION*

*DIVISION OF UNIVERSITIES*

*BOARD OF REGENTS*

*FOR THE FISCAL YEAR ENDED JUNE 30, 1998*

*STATE OF FLORIDA*

*AUDITOR GENERAL*

*OPERATIONAL AUDIT  
OF THE*

*FLORIDA DEPARTMENT OF EDUCATION*

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*BOARD OF REGENTS*

*FOR THE FISCAL YEAR ENDED JUNE 30, 1998*

**BOARD OF REGENTS**

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CHARLES L. LESTER, CPA  
AUDITOR GENERAL

**STATE OF FLORIDA**

**AUDITOR GENERAL**

**TALLAHASSEE**

June 22, 1999

The President of the Senate, the Speaker of the  
House of Representatives, and the  
Legislative Auditing Committee

Pursuant to the provisions of Section 11.45, Florida Statutes, and as part of the Legislature's oversight responsibilities for operations of State agencies, I have directed that an operational audit be made of the

***FLORIDA DEPARTMENT OF EDUCATION***

***DIVISION OF UNIVERSITIES***

***BOARD OF REGENTS***

***For the Fiscal Year Ended June 30, 1998.***

The results of the audit of the Board of Regents are presented herewith.

Respectfully submitted,

A handwritten signature in black ink that reads "Charles L. Lester".

Charles L. Lester  
Auditor General

Audit supervised by:  
Alan M. Sands

Audit made by:  
Kimberly S. Ferree

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**OPERATIONAL AUDIT  
OF THE  
FLORIDA DEPARTMENT OF EDUCATION  
DIVISION OF UNIVERSITIES  
BOARD OF REGENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1998**

**AUDIT REPORT SUMMARY**

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This audit report summary highlights the scope, objectives, methodology, and findings of audit report No. 13503. It is intended to present the findings of our report in a condensed fashion. The entire audit report should be read for a comprehensive understanding of our audit findings.

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**Scope/Objectives**

**The Auditor General, as part of the Legislature's oversight responsibility for operations of State universities, makes operational audits:**

- **To evaluate Board management's performance in administering assigned responsibilities in accordance with applicable laws, administrative rules, and other guidelines and**
- **To determine the extent to which the internal control, as designed and placed in operation, promotes and encourages the achievement of management's control objectives in the categories of compliance, economic and efficient operations, reliability of financial records and reports, and safeguarding of assets.**

**Methodology**

**We conducted our audit in accordance with generally accepted auditing standards and applicable standards contained in *Government Auditing Standards* issued by the Comptroller General of the United States.**

**As a part of our audit, we examined, on a test basis, evidence supporting transactions (as well as events and conditions) which occurred; performed analytical procedures; reviewed management's administrative constructions of law; and performed such other procedures as we considered necessary in the circumstances for those operating units,**

**programs, activities, functions, and classes of transactions within the scope of our audit for the fiscal year ended June 30, 1998.**

**Additionally, in planning and performing our audit, we considered the Board's internal control relevant to those operating units, programs, activities, functions, and classes of transactions within the scope of our audit. Our purpose in considering internal control was to determine the nature, timing, and extent of substantive audit tests and procedures necessary to the accomplishment of our audit objectives and not to provide assurance of the Board's internal control.**

### **Findings**

**Matters coming to our attention relating to noncompliance with various guidelines and those relating to significant deficiencies in the design or operation of the internal control for those operations audited are as follows:**

- In audit report No. 13263, we recommended that the Board review the propriety of accounting for moneys received for various research contracts and grants and related income in the universities' research foundations rather than in the universities' divisions of sponsored research, which require greater restrictions on their use and accountability. In response, the Board's General Counsel issued an opinion that cites specific references and requirements for the deposit of moneys received from patents, royalties, copyrights, and trademarks, and from various research contracts and grants. Given the distinctions set forth in the Board's opinion, specific written guidance on the administration and record keeping of these moneys should be provided to the universities by the Board. (See paragraphs 25 through 31.)**
- Section 240.243(2), Florida Statutes, requires a minimum of 12 classroom contact hours per week or equivalent noninstructional duties for each full-time equivalent teaching faculty member who is paid entirely from State funds. The Board has prescribed instructions in Chancellor's Memorandum CM-87-17.2, revised 1994, for developing information for complying with this Statute. Our audits of universities have indicated that faculty members taught the assigned classroom contact hours but that records for other professional**

(noninstructional) duties did not demonstrate compliance with this Statute. Since attendance records reporting clock-time are historically not kept by university faculties, the universities have been unable to document compliance with the Statute as it relates to noninstructional duties. (See paragraphs 32 through 35.)

- **Board of Regents Rule provides for annual evaluations. Our test disclosed that no written performance evaluations were on file for 4 of 20 employees, in either current or prior years. We recommend that annual written evaluations of personnel performance be timely conducted as prescribed by Board of Regents Rule. (See paragraphs 36 through 38.)**
- **As of June 30, 1998, the Board of Regents reported expenditures in excess of \$9 million on the FAMU-FSU College of Engineering construction project. Board personnel indicated that they did not verify the licensure of the major subcontractors. Instead, they relied on the construction manager to verify these licensures. However, Board personnel have indicated that they do not monitor the construction manager's verification of the subcontractors' licensure. We recommend that the Board of Regents monitor the construction manager's verification of the licensure of major subcontractors. (See paragraphs 39 through 41.)**
- **Board personnel have developed plans and identified steps necessary to prepare year 2000 compliance for their Information Resource Management (IRM) department's four sections. The Board estimated that one IRM section is approximately 90 percent complete for becoming year 2000 compliant. The target date for completion is December 1999. The Board indicated that the remaining three sections are already year 2000 compliant. Inasmuch as the year 2000 problem has a clearly defined and fast approaching deadline that requires timely resolution, Board management should continue to monitor**

**progress being made in implementing the plans and ensure that the year 2000 compliance project remains on schedule. (See paragraphs 42 through 45.)**

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The Chancellor's written response to the audit findings and recommendations included in audit report No. 13503 is presented as Exhibit A.

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**OPERATIONAL AUDIT  
OF THE  
FLORIDA DEPARTMENT OF EDUCATION  
DIVISION OF UNIVERSITIES  
BOARD OF REGENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1998**

Par.  
No.

**BACKGROUND**

**Personnel**

- (1) The Board of Regents, subject to the general supervision of the State Board of Education, is the policy-making body of the State University System consisting of ten universities. Section 240.209, Florida Statutes, provides, among other things, that the Board is primarily responsible for adopting systemwide rules and policies; planning for the future needs of the State University System; planning the programmatic, financial, and physical development of the system; reviewing and evaluating various programs at the universities; coordinating program development among the universities; and monitoring the fiscal performance of the universities.
  
- (2) Members of the Board of Regents during the audit period were as follows:

*Frank T. Brogan, Commissioner of Education*  
*Elizabeth G. Lindsay, Chairman to 9-25-97*  
*Steven J. Uhlfelder, Vice-Chairman to 9-25-97,*  
*Chairman from 9-26-97*  
*Dennis M. Ross, Vice-Chairman from 9-26-97*  
*Audrea Isaac Anderson*  
*R. Julian Bennett, Jr.*  
*Paul L. Cejas to 6-11-98*  
*Charlton B. Daniel, Jr.*  
*James R. Harding (1)*  
*James F. Heekin, Jr.*  
*Adolfo Henriques from 6-12-98*  
*Philip D. Lewis*  
*Gwendolyn Ford McLin*  
*Jon C. Moyle*  
*Welcom H. Watson*

*Note: (1) A full-time student voting member for one year in accordance with Section 240.207(1), Florida Statutes.*

- (3) Dr. Charles B. Reed served as Chancellor of the State University System and Chief Administrative Officer of the Board of Regents until January 18, 1998, and Dr. Adam W. Herbert, Jr., became Chancellor on January 19, 1998. The Chancellor is responsible for administration of the State University System under policies prescribed by the Board.

#### **Financing**

- (4) Appropriations for operations and programs administered by the Board Office totaled \$71,296,666 for the fiscal year ended June 30, 1998. These appropriations were funded from various trust funds and from General Revenue.
- (5) Appropriations from the Legislature for educational and general activities are provided to the Board for allocation to the various universities. The tabulation presented below shows the final appropriations (excluding special units) by source for the 1997-98 fiscal year:

<u>Source</u>	<u>Amount</u>
General Revenue	\$ 1,106,927,718
Incidental/Student Fees	335,903,705
Educational Enhancement	88,092,210
Other Trust Funds	<u>6,749,046</u>
Total	<u><u>\$ 1,537,672,679</u></u>

- (6) These appropriations were allocated to each University for the 1997-98 fiscal year as presented in the following tabulation:

<u>University</u>	<u>Amount</u>
University of Florida	\$ 304,978,944
Florida State University	258,500,126
University of South Florida	238,743,878
Florida International University	183,936,370
University of Central Florida	170,348,286
Florida Atlantic University	125,146,235
Florida Agricultural & Mechanical University	97,255,871
University of North Florida	63,518,341
University of West Florida	55,207,432
Florida Gulf Coast University	<u>34,718,176</u>
Subtotal	1,532,353,659
Reserve	<u>5,319,020</u>
Total	<u><u>\$ 1,537,672,679</u></u>

- (7) Section 240.225, Florida Statutes, delegates the authority for certain functions and duties in Chapter 287, Florida Statutes, for procurement of personal property and services to the State University System. Section 240.209(3)(p), Florida Statutes, further delegates to the Board of Regents the authority to adopt rules to administer a program for the maintenance and construction of facilities in the State University System.
- (8) The 1997-98 fiscal year legislative appropriation included project allocations for specific University construction projects. These allocations were made pursuant to budget requests prepared by the Board of Regents. Such budget requests were prepared using a formula based on enrollment projections, existing square footage, and other factors. Legislative appropriations designated the funding source of each project. In recent years, such funding has been provided from Public Education Capital Outlay and Debt Service Trust Fund appropriations and the proceeds of bonds sold by the Board of Regents (University System Improvement Revenue

Certificates). Most University construction projects are reported by the University and are accounted for in the University's Plant Funds. The term "Plant Funds" in college and university terminology encompasses the construction moneys, any debt service accounts related to bond financing of construction, and the University's accumulated investment in its educational plant.

- (9) Section 287.09451(4)(n), Florida Statutes, describes the minority business enterprise procurement goals for construction contracts, architectural and engineering contracts, commodities, and contractual services that are to be established for executive branch agencies and encourages the agencies to meet those goals. Section 287.09451(6)(a), Florida Statutes, requires that the University adopt a minority business enterprise utilization plan for review and approval by the Minority Business Advocacy and Assistance Office (MBAAO). The following tabulation prepared from the Board's records compares the procurement goals for the 1997-98 fiscal year, as approved by the MBAAO, to the amounts purchased during the 1997-98 fiscal year from certified minority business enterprises:

<u>Category</u>	<u>Procurement Goal</u>	<u>Amount Purchased</u>	<u>Percent of Goal Met</u>
Commodities	\$ 89,028	\$ 41,587	46.7
Contractual Services	<u>79,327</u>	<u>102,221</u>	128.9
Total	<u>\$ 168,355</u>	<u>\$ 143,808</u>	85.4

- (10) Private resources are provided to the State University System through foundations and direct-support organizations, as provided by law. A "direct-support" organization is defined by Section 240.299, Florida Statutes, as a not-for-profit Florida corporation organized to benefit a State university in Florida. These organizations are certified by the Board and may be authorized to use property, facilities, and personal services at any State university. Forty-three direct-support organizations were operating under certification by the Board at June 30, 1998, including the Florida Board of Regents Foundation, Inc. These organizations are not included in the scope of this audit. They are required by Section 240.299(4), Florida Statutes, to be audited annually by independent certified public accountants.
- (11) The Board engages in numerous other activities. For example, these activities include the administration of the University Support Personnel System Pay Plan, the State University System General Faculty and Administrative and Professional Employees Pay Plan, and the Eminent Scholars Trust Fund, and various other endowment funds.

- (12) Board of Regents Rule 6C-1.1014, Florida Administrative Code, establishes the duties and responsibilities of the Board's Chief Inspector General's Office (CIG). Responsibilities of the CIG Office include the development and implementation of audit plans, standard audit programs and procedures, quality assurance reviews of internal audits at the university level, and plans for continuing education and training for CIG and IG (universities) staff. In addition, the CIG Office is required to review copies of all State University internal audit reports, follow-up findings to ultimate resolution, and report to the Board of Regents on the status of audit plans and the results of audits.

**Related Audits**

- (13) The Board's financial statements are combined with the other State universities and are reported in the State University System fund types of the general purpose financial statements of the State of Florida as of and for the fiscal year ended June 30, 1998. On February 17, 1999, this Office issued audit report No. 13393, presenting the financial position of the State of Florida and its component units at June 30, 1998; the results of its operations; and the cash flows of its proprietary fund types, nonexpendable trust fund, and discretely presented component units for the fiscal year then ended. The Board is an integral part of the reporting entity of the State of Florida.
- (14) An examination of expenditures of Federal awards administered by the Board under contract and grant agreements to finance specific programs and projects is included in our Statewide audit of Federal awards administered by the State of Florida. On June 3, 1999, this Office issued audit report No. 13490, presenting the results of our Statewide audit of Federal awards administered by the State of Florida for the fiscal year ended June 30, 1998.
- (15) Section 240.214, Florida Statutes, establishes an accountability process for the State University System. Florida's accountability legislation requires an evaluation of the performances of public universities to hold them more accountable for their use of public resources. In January 1999, the Board of Regents submitted the statutorily required annual report dated December 1998.

- (16) This audit does not include comments on audits of the ten universities under the jurisdiction of the Board but may include matters of systemwide application. Separate audits and reports are made on the individual universities.



CHARLES L. LESTER, CPA  
AUDITOR GENERAL

## STATE OF FLORIDA

AUDITOR GENERAL

TALLAHASSEE

June 18, 1999

### *REPORT ON COMPLIANCE AND INTERNAL CONTROL*

- (17) Board of Regents' management is responsible for administering numerous operating units, programs, activities, functions, and classes of transactions in accordance with governing provisions of laws, administrative rules, and other guidelines. Additionally, the proper administration of public funds requires that management establish and maintain a system of internal control to provide reasonable assurance that specific Board objectives will be achieved. The Auditor General, as part of the Legislature's oversight responsibility for operations of universities, makes operational audits to determine the extent to which Board management has fulfilled those responsibilities.
- (18) Our audit objectives for those operating units, programs, activities, functions, and classes of transactions within the scope of our audit for the fiscal year ended June 30, 1998, were:
- To evaluate the Board's performance in administering its assigned responsibilities in accordance with applicable laws, administrative rules, and other guidelines;
  - To determine the extent to which the Board's system of internal control, and selected relevant controls, promotes and encourages the achievement of management's objectives in the categories of compliance with applicable laws, administrative rules, and other guidelines; the economic and efficient operations of the Board; the reliability of financial records and reports; and the safeguarding of assets; and

- To determine whether the Board has corrected, or is in the process of correcting, all deficiencies disclosed in the prior audit (report No. 13263, dated June 10, 1998) for those operating units, programs, activities, functions, and classes of transactions within the scope of our audit.

- (19) We conducted our audit in accordance with generally accepted auditing standards and applicable standards contained in *Government Auditing Standards* issued by the Comptroller General of the United States. As a part of our audit, we examined, on a test basis, evidence supporting transactions (as well as events and conditions) which occurred; performed analytical procedures; reviewed management's administrative constructions of law; and performed such other procedures as we considered necessary in the circumstances for those operating units, programs, activities, functions, and classes of transactions within the scope of our audit.
- (20) As a part of our audit, we performed tests of the Board's compliance with certain provisions of laws, administrative rules, and other guidelines, noncompliance with which could have a direct and material effect on the Board's operations. Our objective was to evaluate management's compliance with significant provisions of laws, administrative rules, and other guidelines governing those operating units, programs, activities, functions, and classes of transactions within the scope of our audit. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests of compliance indicated that, with respect to the items tested, the Board had generally complied with the significant provisions of laws, administrative rules, and other guidelines governing those operating units, programs, activities, functions, and classes of transactions within the scope of our audit. Matters coming to our attention relating to noncompliance with various guidelines for those operations audited are noted in the **Findings and Recommendations** section of this report.
- (21) In planning and performing our audit, we considered the Board's internal control relevant to those operating units, programs, activities, functions, and classes of transactions within the scope of our audit. Our purpose in considering internal control was to determine the nature, timing, and extent of substantive audit tests and procedures necessary to the accomplishment of our audit objectives and not to provide assurance on the Board's internal control.

- (22) We noted certain matters involving the Board's internal control and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect Board management's assurance of compliance with applicable laws, administrative rules, and other guidelines; the economic and efficient operation of the Board; the reliability of financial records and reports; and the safeguarding of assets. Those matters coming to our attention for those operating units, programs, activities, functions, and classes of transactions within the scope of our audit are noted in the *Findings and Recommendations* section of this report.
- (23) A material weakness is a condition in which the design or operation of one or more of the components of internal control does not reduce to a relatively low level the risk that operating deficiencies, material in relation to the financial records and resources for those operating units, programs, activities, functions, and classes of transactions being audited, may occur and not be detected within a timely period by Board employees in the normal course of performing their assigned functions. Our consideration of internal control would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described in the *Findings and Recommendations* section of this report is a material weakness.
- (24) This report is intended for the information of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, and applicable management. Copies of this report are available pursuant to Section 11.45(7), Florida Statutes, and its distribution is not limited.

Respectfully submitted,



Charles L. Lester, CPA  
Auditor General

## *Findings and Recommendations*

### *University Research Foundations*

- (25) *Research Contracts, Grants, and Income.* In audit report No. 13263, we recommended that the Board review the propriety of accounting for moneys received for various research contracts and grants and related income in the universities' research foundations rather than in the universities' divisions of sponsored research, which require greater restrictions on their use and accountability. In response, the Board's General Counsel issued an opinion that cites specific references and requirements for the deposit of moneys received from patents, royalties, copyrights, and trademarks, and from various research contracts and grants. Given the distinctions set forth in the Board's opinion, specific written guidance on the administration and record keeping of these moneys should be provided to the universities by the Board.
- (26) Pursuant to Section 240.241, Florida Statutes, several universities have established divisions of sponsored research, which serve the function of administering and promoting the programs of research, including sponsored training programs, of the university. More specifically, Section 240.241(4), Florida Statutes, states that the President or his designee is authorized to negotiate, enter into, and execute research contracts; to solicit and accept research grants and donations; and to fix and collect fees, other payments, and donations that may accrue by reason thereof. Section 240.241(5), Florida Statutes, states that a division of sponsored research shall be financed from the moneys of a university which are on deposit or received for use in the research or related programs of that university. Such moneys shall be deposited by the University in a permanent sponsored research development fund in a depository approved for the deposit of State funds.
- (27) In audit report No. 13263, paragraphs 24 through 30, we noted that several universities operated not-for-profit research foundations that were incorporated as direct-support organizations pursuant to Section 240.299, Florida Statutes, and Board of Regents Rule 6C-9.011, Florida Administrative Code. According to articles of incorporation and other university records, the purposes of these research foundations were, in general, to promote and assist the research activities of the faculty, staff, and students of the universities through income derived from or related to the development and commercialization of university work products, such as patents, royalties, copyrights, and trademarks. The Board of Regents certified these research foundations as organizations operating in a manner consistent with the goals of the universities and in the best interests of the State.

- (28) Our prior review disclosed that moneys received by the universities from patents, royalties, copyrights, and trademarks generated by research at several universities were deposited to the universities' research foundation accounts rather than to the universities' divisions of sponsored research accounts. Additionally, moneys received by the universities from various research contracts and grants between grantors and the universities' divisions of sponsored research were deposited to these research foundations, rather than the universities' divisions of sponsored research. For example, approximately 30 contract and grant projects funded by private sources were transferred to the Florida State University's Research Foundation during the 1993-94 fiscal year, including several earning royalty, patent, or copyright income. One of the more financially significant projects transferred to the University's Research Foundation included a patent for a popular cancer-fighting drug, which had generated approximately \$30 million for the last 3 years.
- (29) Prior to the formation of these research foundations and certification by the Board of Regents as direct-support organizations, similar contracts and grants and related income were deposited with these universities' divisions of sponsored research. Moneys deposited and accounted for in university accounts are subject to greater restrictions on their use and accountability than moneys placed in the foundation. We recommended that the Board review this matter and consider obtaining an Attorney General's opinion regarding the propriety of accounting for these moneys in the research foundations rather than the universities' divisions of sponsored research.
- (30) In response to this recommendation, the Board's General Counsel issued an opinion on this matter on December 8, 1998. In this opinion, he indicated that:
- A university may assign its interest in intellectual property to a research foundation which is a direct-support organization of the University.
  - Income from intellectual property belonging to a university (i.e., income which has not been assigned to a direct-support organization) is to be placed in the university's sponsored research fund and may not be assigned to a research foundation, except as that income constitutes "surplus moneys" and thus is permitted by Section 240.241(7), Florida Statutes, to be assigned to the foundation. Surplus moneys are those not disbursed "in accordance

with the terms of the contract, grant, or donation” through which they were received, as well as those funds not required for the operation of the divisions of sponsored research.

- Section 240.241(7), Florida Statutes, when read in conjunction with Section 240.299, Florida Statutes, which allows “the use of property...at any state university by any direct-support organization,” constitutes authority for the deposit of “surplus moneys” described in Section 240.241(7), Florida Statutes, in a research foundation for use in the research and sponsored training programs of the State university supported by that foundation.

- (31) As discussed above, the Board’s opinion cites specific references and requirements for the deposit of moneys received from patents, royalties, copyrights, and trademarks, and from various research contracts and grants. Given the distinctions set forth in this opinion, we recommend that the Board provide specific written guidance to the universities on the administration and record keeping of these moneys.

**Personnel Administration**

- (32) **Faculty Activity Reporting.** Section 240.243(2), Florida Statutes, requires a minimum of 12 classroom contact hours per week or equivalent noninstructional duties for each full-time equivalent teaching faculty member who is paid entirely from State funds. The Board has prescribed instructions in Chancellor’s Memorandum CM-87-17.2, revised 1994, for developing information for complying with this Statute. Our audits of universities have indicated that faculty members taught the assigned classroom contact hours but that records for other professional (noninstructional) duties did not demonstrate compliance with this Statute. Since attendance records reporting clock-time are historically not kept by university faculties, the universities have been unable to document compliance with the Statute as it relates to noninstructional duties.

- (33) Section 240.243(2), Florida Statutes, requires that each full-time equivalent teaching faculty member at a university, who is paid entirely from State funds, shall teach a minimum of 12 classroom contact hours per week (12-Hour Law). However, any faculty member who is assigned other appropriate professional responsibilities shall teach a minimum number of classroom contact hours in proportion to 12 classroom hours per week as such especially assigned aforementioned duties and responsibilities bear to 12 classroom contact hours per

week. The Board of Regents has prescribed in Chancellor's Memorandum CM-87-17.2, revised 1994, instructions for developing information for complying with the 12-Hour Law. This Memorandum established a standard practice for preparing and presenting faculty activity data for all budget units within the State University System (SUS).

- (34) In audit reports issued by this Office over the past years on the various universities in the SUS, we have reported that university registrar records indicate that faculty members taught the assigned classroom contact hours. We have also reported, however, that records for other professional (noninstructional) duties did not demonstrate compliance with the 12-Hour Law. These noninstructional duties include assignments such as research, public service, academic advising, etc. The language in the Statute indicates that noninstructional duties shall be measured in proportion to 12 classroom contact hours. Section 240.243(1)(b), Florida Statutes, defines a classroom contact hour as a regularly scheduled one-hour period of classroom activity. Using classroom contact hours as the measure for calculating noninstructional duties requires, in our opinion, some record of actual time spent on these noninstructional duties to document compliance. Since attendance records reporting clock-time are historically not kept by university faculties, the universities have been unable to document compliance with the 12-Hour Law as it relates to noninstructional duties.
- (35) Although the Chancellor's Memorandum provides a methodology for calculating and allocating faculty contact hours between instructional and noninstructional duties and the reporting of such allocations in faculty activity reports, the procedures do not require documentation of the actual time spent by faculty on assigned noninstructional duties. Until such time as records documenting actual time spent on noninstructional duties are prepared by the individual universities or the law is modified by legislative action, we expect to continue reporting that records for noninstructional duties are insufficient to document compliance with the 12-Hour Law.
- (36) **Employee Evaluations.** Board of Regents Rule provides for annual evaluations. Our test disclosed that no written performance evaluations were on file for 4 of 20 employees, in either current or prior years. We recommend that annual written evaluations of personnel performance be timely conducted as prescribed by Board of Regents Rule.
- (37) Board of Regents Rule 6C-5.925, Florida Administrative Code, states in part, that the basic purpose of evaluations is to acknowledge performance, to communicate performance

effectiveness, to aid in performing assigned duties and, if necessary, to develop a performance plan to assist in correcting deficiencies. This Rule provides that each employee shall be evaluated at least annually on the basis of total performance in fulfilling assigned responsibilities.

- (38) Our test disclosed that no written performance evaluations were on file, in either current or prior years, for 4 of 20 employees tested. For example, there was no evidence of a written performance evaluation for one Administrative and Professional (A&P) employee from his employment date in June 1992 to his resignation in March 1999. We recommend that annual written evaluations of personnel performance be timely conducted as prescribed by Board of Regents Rule.

**Capital Outlay**

- (39) **Subcontractor Licenses.** As of June 30, 1998, the Board of Regents reported expenditures in excess of \$9 million on the FAMU-FSU College of Engineering construction project. Board personnel indicated that they did not verify the licensure of the major subcontractors. Instead, they relied on the construction manager to verify these licensures. However, Board personnel have indicated that they do not monitor the construction manager's verification of the subcontractors' licensure. We recommend that the Board of Regents monitor the construction manager's verification of the licensure of major subcontractors.

- (40) As of June 30, 1998, the Board of Regents reported expenditures in excess of \$9 million on the FAMU-FSU College of Engineering construction project. Chapter 489, Florida Statutes, establishes certain certification requirements for those persons engaged in contracting to construct, repair, alter, remodel, add to, demolish, subtract from, or improve any building or structure. This Chapter also addresses the licensing requirements for general, building, and residential contractors as well as the licensing requirements for specialty contractors such as electrical, air conditioning, plumbing, and roofing contractors. These licensing requirements are administered by the Construction Industry Licensing Board and the Electrical Contractor's Licensing Board of the Florida Department of Business and Professional Regulation.

- (41) Board of Regents personnel have indicated that they do not verify the licensure of the major subcontractors listed by the contractor for the FAMU-FSU College of Engineering construction project and that the verification of the licensure of major subcontractors is performed by the

construction manager. However, Board of Regents personnel do not monitor the construction manager's verification of the licensure of major subcontractors. Verification of the applicable licenses of subcontractors provides additional assurance to the Board of Regents that the subcontractors meet the qualifications to perform the work for which the subcontractors are hired. We recommend that the Board of Regents monitor the construction manager's verification of the licensure of major subcontractors.

**Electronic Data Processing**

- (42) **Year 2000 Compliance.** Board personnel have developed plans and identified steps necessary to prepare year 2000 compliance for their Information Resource Management (IRM) department's four sections. The Board estimated that one IRM section is approximately 90 percent complete for becoming year 2000 compliant. The target date for completion is December 1999. The Board indicated that the remaining three sections are already year 2000 compliant. Inasmuch as the year 2000 problem has a clearly defined and fast approaching deadline that requires timely resolution, Board management should continue to monitor progress being made in implementing the plans and ensure that the year 2000 compliance project remains on schedule.
- (43) Unless corrected before January 1, 2000, many computer applications may either stop working or begin producing erroneous results on or before that day. This is a very real and serious issue of global proportions, which has an absolute deadline. The year 2000 problem is a two-digit-year representation problem, which was created in the 1960s and 1970s when computer applications were first being developed. Since computer resources were costly and data entry was labor intensive, to reduce costs, it became a common practice to represent dates in some form of a six-digit format, usually MMDDYY, which did not include a century indicator. The significance of misinterpretation of dates is great due to the prevalent use of dates. The six-digit-date representation can be found not only in application program codes but also in all levels of computer hardware, operating system software, vendor supplied software, computer chips, data files and databases, and on all types of computing platforms including client/server, networks, and personal computers.
- (44) In response to our inquiry regarding the Board's plan for becoming year 2000 compliant, Board personnel informed us that they have developed formal plans or informally identified the steps necessary to prepare year 2000 compliance for their four Information Resource Management

(IRM) sections. The Board estimated that one IRM section is approximately 90 percent complete for becoming year 2000 compliant. The target date for completion is December 1999. The Board indicated that the three remaining IRM sections are already year 2000 compliant.

- (45) Inasmuch as the year 2000 problem has a clearly defined and fast approaching deadline that requires timely resolution, Board management should continue to monitor progress being made in implementing the plans and ensure that the year 2000 compliance project remains on schedule. Because of the unprecedented nature of the year 2000 issue, its operational effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Accordingly, we do not provide assurance with regard to the representations made by the Board relative to the year 2000 compliance status. Further, we do not provide assurance that the Board is or will be year 2000 ready, that the Board's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the Board does business will be year 2000 ready.

**Prior Audit Findings**

- (46) In audit report No. 13263, we disclosed several deficiencies in the Board's system of internal control and noncompliance with controlling laws, administrative rules, and other guidelines. In a letter dated December 9, 1998, the Chancellor provided a written explanation to the Joint Legislative Auditing Committee of the status of the Board's actions regarding our recommendations made in that report. In his letter, the Chancellor stated that he has implemented corrective action.

**STATEMENT FROM AUDITED OFFICIAL**

- (47) In accordance with the provisions of Section 11.45(7)(d), Florida Statutes, a list of audit findings and recommendations was submitted to the Chancellor. The Chancellor's written response to the audit findings and recommendations included in this report is shown as Exhibit A.

***EXHIBIT***

The following exhibit is attached to and forms an integral part of this report:

**[EXHIBIT - A](#)**     *Statement from Audited Official.*

**EXHIBIT - A**  
**BOARD OF REGENTS**  
**STATEMENT FROM AUDITED OFFICIAL**  
**For the Fiscal Year Ended June 30, 1998**



**STATE UNIVERSITY SYSTEM OF FLORIDA**  
*325 West Gaines Street, Suite 1514*  
*Tallahassee, Florida 32399-1950*

**Adam W. Herbert**  
*Chancellor*

June 18, 1999

The Honorable Charles L. Lester  
Auditor General  
State of Florida  
Post Office Box 1735  
Tallahassee, Florida 32302

Dear Mr. Lester:

We have reviewed the preliminary and tentative audit findings and recommendations for the audit of the Board of Regents that was conducted for the fiscal year ended June 30, 1998. Our responses to the recommendations are attached.

We appreciate your audit, as it assists us in our continuing efforts to improve our operations.

Sincerely,

A handwritten signature in cursive script, appearing to read "Adam".

AWH/hdc

Attachment

**EXHIBIT - A (Continued)**  
**BOARD OF REGENTS**  
**STATEMENT FROM AUDITED OFFICIAL**  
**For the Fiscal Year Ended June 30, 1998**

Audit  
Report  
Par.  
No.

**University Research Foundations**

(25-31)

**Research Contracts, Grants, and Income**

↓

**Recommendation:** The Board's opinion cites specific reference and requirements for the deposit of moneys received from patents, royalties, copyrights, and trademarks, and from various research contracts and grants. Given the distinctions set forth in this opinion, we recommend that the Board provide specific written guidance to the universities on the administration and record keeping of these moneys.

**Response:** The Chancellor will issue a Chancellors Memorandum (CM) providing written guidance on this issue.

**Responsible Auditee:** Judy Hample

**Expected Implementation Date:** November 1, 1999

**Personnel Administration**

(36-38)

**Employee Evaluations**

↓

**Recommendation:** We recommend that annual written evaluations of personnel performance be timely conducted as prescribed by Board of Regents Rule.

**Response:** All employees will be evaluated on an annual basis and all performance appraisals will be documented. Our current follow-up procedure for notifying the appropriate supervisor, when an employee's performance appraisal has not been conducted, will be enhanced to also notify the appropriate Vice Chancellor or Chancellor. These procedures will be reviewed and updated as necessary.

**Responsible Auditee:** Brenda Meisburg

**Implementation date:** The new follow-up procedures will be communicated, in writing, to supervisors by August 31, 1999. The new follow-up procedure will be in place by October 31, 1999.

**EXHIBIT - A (Continued)**  
**BOARD OF REGENTS**  
**STATEMENT FROM AUDITED OFFICIAL**  
**For the Fiscal Year Ended June 30, 1998**

Audit  
Report  
Par.  
No.

**Capital Outlay**

(39-41)



**Subcontractor Licenses**

**Recommendation:** We recommend that the Board of Regents (BOR) monitor the construction managers verification of the licensure of major subcontractors.

**Response:** The Board of Regents verifies licenses during the selection and initial contract award process. After initial verification, the BOR requires the construction manager to certify on each monthly pay request that all subcontractors that have performed work still have current licenses. (See attached form used as part of the monthly submittal for payment request from the construction manager.)

Currently, the BOR requires the construction manager to submit a monthly status report summarizing the work being conducted. The BOR will require the construction manager to provide current license information for major subcontractors identifying the date each license expires. This information will be required to be included in the monthly construction manager report.

**Responsible Auditee:** Kenneth M. Ogletree

**Expected Implementation Date:** July 1, 1999

**Electronic Data Processing**

(42-45)



**Year 2000 Compliance**

**Recommendation:** Inasmuch as the year 2000 problem has a clearly defined and fast approaching deadline that requires timely resolution, Board management should continue to monitor progress being made in implementing the plans and ensure that the year 2000 compliance project remains on schedule.

**Response:** The Board office has completed all critical year 2000 conversions except for personal computer software defined by the software vendor as compliant with minor issues. These include WordPerfect 8, Office 97, and Windows 95 and 98. We continue to monitor vendor statements to determine the impact of minor issues and plan to implement compliant versions when available from the vendor.

**Responsible Auditee:** Martha Fields

**Expected Implementation Date:** Prior to December, 1999

**EXHIBIT - A (Continued)**  
**BOARD OF REGENTS**  
**STATEMENT FROM AUDITED OFFICIAL**  
**For the Fiscal Year Ended June 30, 1998**

**BOARD OF REGENTS CERTIFICATE OF PARTIAL PAYMENT**

Application No: \_\_\_\_\_ A/E Job No: \_\_\_\_\_ BOR Project No: \_\_\_\_\_  
 Project: \_\_\_\_\_  
 Contractor: \_\_\_\_\_

Contract Time (calendar days): \_\_\_\_\_ No. of Days Elapsed to Date: \_\_\_\_\_

	Additions	Deductions
Change Orders approved to Date	\$ _____	\$ _____
Net Amount of Change Orders		

ORIGINAL CONTRACT SUM		\$ _____
ADJUSTED CONTRACT SUM		_____
BALANCE TO FINISH		_____
COMPLETED TO DATE		_____
MATERIALS STORED		_____
TOTAL COMPLETED AND STORED		_____
LESS RETAINAGE ( %)		_____
TOTAL		\$ _____
LESS PREVIOUS PAYMENTS		_____
AMOUNT THIS CERTIFICATE		\$ _____

**CERTIFICATION BY CONTRACTOR:** According to the best of my knowledge and belief, I certify that all items and amounts shown on the face of this Application are correct, that all Work has been performed and material supplied in full accordance with the terms and conditions of the Contract, and that all just and lawful bills against me and my Subcontractors for labor and equipment employed in the performance of this Contract have been paid in full in accordance with the terms and conditions. I further certify that all Subcontractors providing service for the Work are licensed according to the requirements of the State of Florida.

Date: \_\_\_\_\_ Contractor: \_\_\_\_\_

STATE OF FLORIDA, COUNTY OF \_\_\_\_\_  
 Subscribed and sworn before me this \_\_\_\_\_ day of \_\_\_\_\_ 19 \_\_\_\_  
 Notary Public: \_\_\_\_\_ Commissions Expires: \_\_\_\_\_

**CERTIFICATION OF ARCHITECT/ENGINEER:** I certify that I have checked and verified this Progress Payment Application; that to the best of my knowledge and belief the above application is a true statement of the value of the Work performed and the materials suitably stored on the site; that all Work and materials included in this Certificate have been observed by me or by my authorized assistants; that all Work has been formed and materials supplied in full accordance with the terms of this Contract, and I approve for payment the amount noted above.

Date: \_\_\_\_\_  
 \_\_\_\_\_  
 Architect/Engineer

Reviewed and recommend for payment by  
Owner's representative

Date: \_\_\_\_\_